



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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CONTACT: Mitchel Benson  
(916) 653-4052

## **TREASURER ANGELIDES WINS CALPERS APPROVAL OF TOUGH, NEW MUTUAL FUND PROTECTION PRINCIPLES**

*Angelides Says CalPERS' Action Today, Following Earlier CalSTRS Vote, Brings Mutual Fund Reforms a Step Closer to Setting Market Standard for Entire Mutual Fund Industry*

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) – the nation's largest public pension fund – today adopted Treasurer Phil Angelides' initiative to protect investors, pensioners and their families through a wide range of mutual fund reforms.

Angelides said the reforms – called the Mutual Fund Protection Principles – are now a step closer to becoming the market standard for the entire mutual fund industry. CalPERS' action today follows a March 3 vote by the California State Teachers' Retirement System (CalSTRS) – the nation's third largest public pension fund – to approve the Treasurer's Mutual Fund Protection Principles. Both pension fund decisions come three months after Angelides – joined in January by North Carolina Treasurer Richard Moore, New York State Comptroller Alan Hevesi and New York State Attorney General Eliot Spitzer – unveiled the Principles to help restore stability and integrity to a mutual fund industry rocked by recent reports of fraud, abusive trading practices and conflicts of interest.

Today's action signals another step toward Angelides' goal to use the "power of the purse" – the state pension funds' size and influence as large customers in the mutual fund marketplace – to spur mutual funds to comply with the Principles. The Treasurer sits on the boards of both CalPERS and CalSTRS.

"The CalPERS vote today sends a strong message: if you are a mutual fund that wishes to do business with California, we expect you to adhere to the highest standards of disclosure and business practices," Angelides said. "We are committed to rooting out the bad actors and fraudulent practices that have shaken the mutual fund markets and harmed millions of families who have placed their savings in mutual funds."

The Treasurer, in underscoring his commitment to mutual fund reform, pointed to last November, when he launched an ultimately successful effort to urge CalPERS and CalSTRS to terminate their combined \$1.5 billion relationships with Putnam Investments, a mutual fund company embroiled in controversy over its corporate practices. On November 17, CalPERS terminated its approximately \$1.2 billion contract with Putnam, and on December 4, CalSTRS terminated its \$357 million contract.

Today, the Treasurer's Mutual Fund Protection Principles adopted by CalPERS call for a wide range of reforms to shareholder disclosure and reporting; mutual fund board structure; management and compensation reporting; and mutual fund disclosure of securities holdings, trading costs and "soft dollar" expenditures (see attached principles).

With today's action, compliance with the Principles will become a consideration in determining whether mutual funds have the right to do business with CalPERS. As approved, the Principles will apply to firms managing employees' 457 plans that CalPERS invests on behalf of California's public agencies, and to any CalPERS money manager who also has mutual fund assets, where there is no clear separation between the manager's institutional account and retail accounts.

In particular, the Principles at CalPERS will apply to:

- 457 Plan: \$279.3 million invested for 15,689 participants from 456 local agencies.
- CalPERS' active managers: \$27 billion invested on behalf of 1.4 million CalPERS members. CalPERS contracts with 58 different money managers in domestic and international equity and fixed income.

CalPERS and CalSTRS have combined assets of more than \$277 billion. The Treasurer is also on the ScholarShare Investment Board, which administers the State's \$1 billion-plus college savings plan. Like CalPERS and CalSTRS, the ScholarShare board will also soon consider adopting the Mutual Fund Protection Principles. In addition, Angelides has written a letter to Governor Arnold Schwarzenegger, urging the Schwarzenegger Administration to apply the Principles to the nearly \$5 billion in savings plan assets administered by the state Department of Personnel Administration. The Schwarzenegger Administration has not yet responded to the request.

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